

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-11 ISO-00 IO-13 AID-05 STR-07 EB-08
COME-00 FRB-03 OMB-01 XMB-02 PA-01 ICA-11 H-01
NSC-05 CIAE-00 INR-10 NSAE-00 OIC-02 (ISO) W
-----025160 141722Z /70

P 112350Z SEP 78
FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC PRIORITY 9577

C O N F I D E N T I A L SECTION 1 OF 2 SAN SALVADOR 4787

E.O. 11652: GDS
TAGS: BEXP, EINV, SHUM, ES
SUBJ: IDB PROPOSALS FOR EL SALVADOR

REF (A) STATE 215764 (B) SAN SALVADOR 2488

SUMMARY: EMBASSY/AID HAS EXAMINED THE LATEST INTERAMERICAN DEVELOPMENT BANK (IDB) LIVESTOCK DEVELOPMENT AND ANIMAL HEALTH PROGRAM LOAN PROPOSAL, AND COMMENTS HERewith ON BASIC HUMAN NEEDS COMPONENTS TO THE TARGET GROUP. THERE REMAINS SOME QUESTION AS TO THE APPROPRIATENESS OF THE SELECTED TARGET GROUP. RAISERS WITH 10 TO 120 HEAD AND AT LEAST 15 HECTARES MAINLY FALL BETWEEN THE HIGHEST AND NEXT-TO-HIGHEST INCOME QUARTILE IN EL SALVADOR, AND THUS QUALIFY AS AGRICULTURAL MIDDLE CLASS. A RECENT FIELD VISIT BY THE AID DIRECTOR, ACCOMPANIED BY AID/RDO MOFFETT AND MAG DUPUTY MINISTER MATA TO A SERIES OF FARMS OF ONE TO 15 HECTARES WITH A SIMILAR NUMBER OF CATTLE IN THE NORTHERN PART OF THE COUNTRY, SHOWED THYGP GROUP TO BE TRULY NEEDY POOR WITH COKABN BASIC HUMAN NEEDS. ACCORDINGLY, OF THE ZARGET GROUP ENCOMPASSED UNDER THE DEVELOPMENT COMPONENT OF THE PROJECT WERE EXPANDED TO INCLUDDE RAISERS WITH ONE TO NINE HEAD, CATTLE IN THE NORTHERN PART OF THE COUNTRY, SHOWED THIS GROUP TO BE TRULY NEEDY POOR WITH COMMON BASIC HUMAN NEEDS. ACCORDINGLY, OF THE TARGET GROUP

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ENCOMPASSED UNDER THE DEVELOPMENT COMPONENT OF THE PROJECT WERE EXPANDED TO INCLUDE RAISERS WITH ONE TO NINE HEAD, CATTLE RAISERS SERVED WOULD INCREASE FROM 14 PERCENT OF TOTAL TO 99 PERCENT WITHIN THE PROJECT AREA. MOST IMPORTANT, EMPHASIS WOULD BE SHIFTED TOWARD THOSE SMALL RAISERS WHO REQUIREMENTS MORE CLEARLY MEET BASIC HUMAN NEEDS. END SUMMARY.

1. THE EMBASSY/AID HAS EXAMINED THE LATEST INERAMERICAN DEVELOPMENT BANK LIVESTOCK DEVELOPMENT AND ANIMAL HEALTH PROGRAM DOCUMENT, AND OFFERS THE FOLLOWING ANALYSIS OF BHN COMPONENTS REPSONSIVE TO THE QUESTIONS POSED IN PARA 3 OF REFTEL A. REGARDING THE PREINVESTMENT PROGRAM LOAN, PARA 4 OF REF A, THE GOES MINISTRY OF PLANNING HAS PROMISED TO SUPPLY ITS BREAKOUT OF BHN-RELATED STUDIES TO BE CARRIED OUT WITH THE LOAN FUNDS BY SEPT 13. THE EMBASSY WILL TRANSMIT THIS INFORMATION BY TELEGRAM AS RECEIVED.

2. WHILE REFERENCE IS MADE IN REF A TO "HERDS OF 20 HEAD AND LANDS OF AT LEAST 15 HECTARES IN TARGETED NORTHERN AREAS," THERE IS NO INDICATION IF THESE FIGURES REPRESENT AN AVERAGE FOR THE TARGET GROUP OR REPRESENT A MINIMUM FOR ELIGIBILITY. HOWEVER, IN SECTION V.C.1., SUBPROGRAMA DE DESARROLLO GANADERO, OF THE REVISED PROJECT PROPOSAL, IT IS STATED THAT THE PRINCIPAL BENEFICIARIES ARE THOSE SMALL AND MEDIUM LIVESTOCK RAISERS WITH 10 TO 120 HEAD AND WITH FARMS OF NOT LESS THAN 15 HECTARES.

3. THE LATEST AVAILABLE COMPLETE AGRICULTURAL CENSUS DATA ON LIVESTOCK (1971) DOES NOT REFLECT A BREAK IN FARM SIZE AT 15 HECTARES OR AT 120 HEAD. IT DOES, HOWEVER, IN CONJUNCTION WITH 1974 DATA, PERMIT THE FOLLOWING SUMMARIZATION:

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CATTLE DISTRIBUTION

| | PERCENTAGE OF FARMS REPORTING CATTLE | PERCENTAGE OF NATIONAL HERD |
|--|---|--------------------------------|
|--|---|--------------------------------|

| | | |
|---|----|----|
| FARMS OF UP TO 10 HEAD (AND LESS THAN 10 HECTARES) | 85 | 32 |
| FARMS OF 11-100 HEAD | 14 | 37 |
| FARMS OF 101 HEAD OR MORE | 1 | 31 |

4. WHILE THE LOAN DOCUMENTATION SPECIFIES THE PRINCIPAL BENEFICIARIES OF THE DEVELOPMENT ACTIVITIES AS BEING ESSENTIALLY THOSE IN THE SECOND CATEGORY NOTED ABOVE, IT DOES GO ON TO SAY, "NOTWITHSTANDING THIS PRINCIPAL FOCUS, THE BENEFITS OF THIS SUBPROGRAM WILL BE EXTENDED TO THE OWNERS OF SMALLER FARMS, THROUGH A LESS INTENSIVE PROGRAM OF SHORT COURSES AND DEMONSTRATION SERVICES." ONE OF THE FEW TANGIBLE BENEFITS TO SMALLER RAISERS UNDER THE ANIMAL HEALTH PROGRAM IS THE VACCINATION AT NO FEE FOR HERDS OF LESS THAN 50 HEAD. WHILE OTHER SPECIFIC BENEFITS DIRECTED TO SALLER FARMERS ARE NOT AS CLEARLY DEFINED, IT APPEARS CLEAR THAT 85 PERCENT OF THE

FARMS REPORTING CATTLE (SMALLER FARMERS) WOULD NOT RECEIVE ATTENTION COMPARABLE TO 14 PERCENT OF THE FARMS REPRESENTING LARGER GROWERS.

5. IF THE TARGET GROUP IS THAT DEFINED IN 2. ABOVE, IT IS THE EMBASSY/AID ASSESSMENT THAT THEIR PER CAPITA INCOME IS PROBABLY IN THE RANGE OF \$200-\$800. THUS, IN THE AGRICULTURAL SECTOR, THEY ARE NOT THE NEEDIEST OF THE POOR AND ARE MOST PROBABLY WELL WITHIN THE AGRICULTURAL MIDDLE CLASS. THOSE RAISERS WITH UNDER 10 HEAD, HOWEVER, ARE CHARACTERIZED BY ANNUAL INCOMES UNDER \$200.00.

6. WE HAVE NO INFORMATION ON THE PERCENTAGES OF FARMS OR FARMERS THAT MIGHT BE INVOLVED IN LIVESTOCK COOPERATIVES.
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SINCE THE AGRICULTURAL COOPERATIVE MOVEMENT IS NOT WELL ESTABLISHED, WE WOULD ONLY GUESS THAT A MINOR NUMBER WOULD BE SO INVOLVED. DESPITE WHAT WE REPORTED IN PARA 4, REF B, WE FOUND NO DEFINITIVE REFERENCE IN THE NEW DOCUMENTATION ON THE MAGNITUDE OF EXISTING OR PLANNED LIVESTOCK COOP ACTIVITIES.

7. OUR BEST ESTIMATE WOULD BE THAT OVER THE FOUR YEAR IMPLEMENTATION PERIOD THE 5,500 TARGETED BENEFICIARY FARMS SCHEDULED FOR ASSISTANCE UNDER THE DEVELOPMENT SUBPROGRAM (AS DEFINED IN

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NSC-05 CIAE-00 INR-10 NSAE-00 OIC-02 (ISO) W
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PARA 2 ABOVE) MAKE UP ABOUT THREE TO FOUR PERCENT OF THE RURAL POPULATION. CONTINUED PROJECT BENEFITS OVER AN ADDITIONAL 10-15 YEAR PERIOD SHOULD IMPACT UPON A TOTAL OF 12-15 PERCENT OF TOTAL RURAL POPULATION. BY INCORPORATING MORE SMALLER PRODUCERS, THIS PERCENTAGE WILL BE SIGNIFICANTLY INCREASED, PERHAPS AS MUCH AS TWO-THREE FOLD.

8. SINCE THE TOTAL PROPOSED TARGET GROUP CONTROLS ABOUT ONE THIRD OF TOTAL CATTLE HERD, AND PROBABLY CONSUMES VERY SMALL PART OF OUTPUT ON-FARM, INCREASED OUTPUT WOULD PROBABLY MOVE DIRECTLY INTO MARKET TOWNS AND URBAN CENTERS WITH MODERATE IMPACT ONLY ON URBAN AVAILABILITIES WHERE MAJOR COMMERCIAL CONSUMPTION OCCURS. BENEFITS--IN TERMS OF PRICE AND AVAILABILITIES--WOULD PROBABLY ACCRUE TO MIDDLE AND UPPER INCOME GROUPS.

9. EL SALVADOR'S LOW PER CAPITA MEAT AND MILK CONSUMPTION IS PROBABLY A REFLECTION OF THREE CONDITIONS:

-- IN THE URBAN AREAS, ONLY THE MIDDLE AND UPPER CLASS CAN AFFORD SIGNIFICANT AMOUNTS OF MEAT AND MILK.

-- IN THE RURAL AREAS, LOW WAGES PRECLUDE ADEQUATE LEVELS OF MEAT AND MILK CONSUMPTION, AND SCARCE LAND

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RESOURCES AMONG THE LARGE MASS OF SMALL FARMERS (HALF OWNERS AND HALF RENTERS) COMBINED WITH LOW LEVELS OF RELATED TECHNOLOGY, PRECLUDE MORE SIGNIFICANT LEVELS OF BEEF AND MILK OUTPUT. (STILL IT SHOULD BE NOTED THAT THIS GROUP DERIVES ABOUT ONE-THIRD OF ITS INCOME FROM LIVESTOCK, INCLUDING PORK AND POULTRY, PRODUCTION.)

10. THIS PROGRAM WOULD TEND MOSTLY TO INCREASE THE EFFICIENCY OF WORKERS ALREADY INVOLVED IN CATTLE RAISING RATHER THAN CREATING NEW RURAL JOBS, EXCEPT TO THE EXTENT THAT DAIRY HERDS WERE INCREASED.

11. WE NOTE THAT PRODUCTION DEVELOPMENT ACTIVITIES ARE SCHEDULED FOR IMPLEMENTATION ONLY IN CHALATENANGO AND MORAZAN PROVINCE. THE "ZONA NORTE" (IN ADDITION TO SONSONATE IN THE SOUTH). ALL OF THE "ZONA NORTE" REGION HAS ESSENTIALLY THE SAME KIND OF BASIC CHARACTERISTICS EXCEPT FOR DECREASING RAINFALL TO THE EAST. THESE GENERAL CHARACTERISTICS SUGGEST THAT LIVESTOCK PRODUCTION THROUGHOUT THE AREAS SHOULD BE EMPHASIZED WITHIN THE

CONTEXT OF A MIXED LIVESTOCK AND FARMING ENTERPRISE. IT IS SIMILARLY OUR PERCEPTION THAT A MIXED CROP AND LIVESTOCK PATTERN IS BEST FOR THE CAMPESINO SUBSECTOR THEREIN, SINCE THEIR LIVELIHOOD BASED ON ANNUAL CROPS ALONE WOULD GENERALLY BE TOO PRECARIOUS. IT IS REALLY TOWARD THIS GOAL, AND WITH A FAR GREATER FOCUS ON THE CAMPESINO WITH ONE TO TEN, OR EVEN 20 HEAD, THAT WE FEEL THIS IDB PROJECT SHOULD BE TARGETED IF IT IS TO ACHIEVE A STRONG BHN IMPACT.

12. IT COULD ALSO BE QUESTIONED WHY FSO FUNDS AT
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40-YEAR TERMS AND ONE PERCENT AND TWO PERCENT INTEREST RATES ARE CONSIDERED APPROPRIATE FOR A PROJECT WHOSE PRINCIPAL TARGET BENEFICIARIES ARE NOT THE POOREST OF THE POOR.

13. COMMENTS:

A. NOTE THAT OUR COMMENTS IN REF B CONCERNING THIS PROJECT WERE BASED ON A FIELD VISIT TO A SERIES OF SMALL FARMS OF ONE TO 15 HECTARES WITH A SIMILAR RANGE IN NUMBERS OF CATTLE. THIS GROUP VISITED IS NOT THE SAME AS THAT DEFINED AS THE PRINCIPAL BENEFICIARY GROUP FOR THE DEVELOPMENT COMPONENT IN THE REVISEDPROJECT. SEE SECTION 3.05 AND 3.07 OF THE BASIC "INFORME DE PROYECTO," PAGES 18 AND 20.

B. AS NOTED IN PARA 3 ABOVE, THE CATTLE RAISERS WITH 11 TO 100 HEAD CONSTITUTE ONLY ABOUT 14 PERCENT OF THE LIVESTOCK FARMS. IF, ON THE OTHER HAND, THE PRIMARY TARGET GROUP FOR THE DEVELOPMENT ACTIVITIES WERE EXPANDED TO INCLUDE THOSE FARMS WITH ONE TO 10 HEAD, 99 PERCENT OF TOTAL FARMS WITH CATTLE WOULD BE ELIGIBLE FOR DIRECT ASSISTANCE. MOST IMPORTANT, EMPHASIS WOULD BE SHIFTED TOWARD THOSE SMALL RAISERS DESCRIBED IN REF B, WHOSE REQUIREMENTS MORE CLEARLY MEET BASIC HUMAN NEEDS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: HUMAN RIGHTS, FOREIGN ASSISTANCE, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SANS04787
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780374-0455
Format: TEL
From: SAN SALVADOR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780981/aaaacpcp.tel
Line Count: 267
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9897e852-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 215764, 78 SAN SALVADOR 2488
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1484360
Secure: OPEN
Status: NATIVE
Subject: IDB PROPOSALS FOR EL SALVADOR
TAGS: BEXP, EINV, SHUM, ES, IDB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/9897e852-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014